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**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR
AGENCY ACTION OF EP ENERGY E&P
COMPANY, L.P. FOR AN ORDER POOLING
ALL INTERESTS, INCLUDING THE
COMPULSORY POOLING OF THE INTERESTS
OF ARGO ENERGY PARTNERS, LTD., DUSTY
SANDERSON, HUNT OIL COMPANY, KKREP,
LLC, AND J.P. FURLONG CO., IN THE
DRILLING UNIT ESTABLISHED FOR THE
PRODUCTION OF OIL, GAS AND
ASSOCIATED HYDROCARBONS FROM THE
LOWER GREEN RIVER-WASATCH
FORMATIONS COMPRISED OF ALL OF
SECTION 2, TOWNSHIP 3 SOUTH, RANGE 5
WEST, U.S.M., DUCHESNE COUNTY, UTAH

**FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER**

Docket No. 2015-013

Cause No. 139-130

This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, April 22, 2015, at 1:20 p.m., in the Moab City Council Chambers in Moab, Utah. The following Board members were present and participated at the hearing: Chairman Ruland J. Gill, Jr., Susan S. Davis, Gordon L. Moon, Carl F. Kendell, Chris D. Hansen, and Richard K. Borden. Board member Michael R. Brown was unable to attend. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner EP Energy E&P Company, L.P. ("EPE") were John D. DeWitt, Jr. - Staff Landman, Michael J. Walcher - Land Advisor, and Steven A.

Biancardi - Reservoir Engineering Advisor. Mr. Walcher and Mr. Biancardi were recognized by the Board as experts in petroleum land management and petroleum engineering, respectively, for purposes of this Cause. Frederick M. MacDonald, Esq., of and for MacDonald & Miller Mineral Legal Services, PLLC, appeared as attorney for EPE.

Testifying on behalf of Respondent J.P. Furlong Co. ("Furlong") were Timothy P. Furlong - President, Ramona Garcia Furlong, Esq. - Counsel and Primary Negotiator; and Kruse B. Kemp. Anthony T. Hunter, Esq. appeared as attorney for Furlong.

The Division of Oil, Gas and Mining (the "Division") did not file a staff memorandum in this Cause but participated in the hearing. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney for the Division.

No other party filed a response to EPE's Request for Agency Action filed on March 10, 2015 (the "Request") and no other party appeared or participated at the hearing. As a consequence of their respective failures to timely file a response and appear at the hearing after proper notice to them, EPE made an oral motion at the commencement of the hearing to declare Argo Energy Partners Ltd. ("Argo"), Dusty Sanderson, Hunt Oil Company ("Hunt") and KKREP, LLC ("KKREP") in default pursuant to Utah Admin. Code Rules R641-104-150 and R641-108-400, which the Board granted.

The Board, having considered the testimony and exhibits admitted into evidence at the hearing and all pleadings on file in this Cause, being fully advised, and in part for the reasons outlined in the Board's Minute Entry entered on May 11, 2015 (the "Minute Entry") and Order Denying Motion to Reconsider entered on June 8, 2105 (the "Reconsideration Order") which, by this reference, are incorporated herein, hereby makes the following findings of fact, conclusions of law and order in this Cause.

FINDINGS OF FACT

1. EPE is a Delaware limited partnership with its principal place of business in Houston, Texas. It is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal, Indian and State of Utah agencies.

2. Under its Order entered on September 20, 1972 in Cause No. 139-8 (the "139-8 Order"), as modified by the Orders entered on April 17, 1985 in Cause No. 139-42 (the "139-42 Order"), entered on May 2, 2008 in Cause No. 139-83 (the "139-83 Order"), entered on December 21, 2008 in Cause No. 139-84 (the "139-84 Order"), and entered November 6, 2014 in Cause No. 139-124 (the "139-124 Order") (the 139-8, 139-42, 139-83, 139-84 and 139-124 Orders collectively hereinafter the "Applicable Orders"), the Board established the entirety of Section 2, Township 3 South,

Range 5 West, U.S.M., as a drilling unit, for the production of oil, gas and associated hydrocarbons from the Lower Green River-Wasatch formations, defined as:

the interval from the top of the Lower-Green River formation (TGR₃ marker) to the base of the Green River-Wasatch formations (top of the Cretaceous), which base is defined as the stratigraphic equivalent of the Dual Induction Log depths of 16,720 feet in the Shell-Ute 1-18B5 well located in the S½NE¼ of Section 18, Township 2 South, Range 5 West, U.S.M., and 16,970 feet in the Shell-Brotherson 1-11B4 well located in the S½NE¼ of Section 11, Township 2 South, Range 4 West, U.S.M.

(the “Drilling Unit”), and authorized up to eight producing wells for such unit, whether all vertical, all horizontal, or a combination of both, to be located no closer than 660 feet from a unit boundary and 990 feet from another well producing in the same formation with certain caveats.

3. Subject Section 2 is an irregular governmental section, comprised of a combination of lots and quarter-quarter sections, and totaling 639.04 acres. Oil and gas ownership within Section 2 is divided into the following 13 tracts:

<u>Tract</u>	<u>Lands</u>	<u>Acreage</u>	<u>% of Drilling Unit</u>
1	E½ of Lot 1	19.97	3.125%
2	W½ of Lot 1; Lots 2 and 3; and N½S½NE¼ <u>less</u> Tract 4 below	135.99	21.280358%
3	Lot 4; SW¼NW¼; W½SE¼; and SE¼SW¼	199.58	31.231222%
4	East 14 rods of the	3.5	0.547697%

N¹/₂S¹/₂NE¹/₄

5	A 5.81-acre metes & bounds tract in the SE ¹ / ₄ NW ¹ / ₄	5.81	0.909176%
6	SW ¹ / ₄ SW ¹ / ₄ SE ¹ / ₄ ; and all of the "hill and bench lands" in the SE ¹ / ₄ NW ¹ / ₄ and NE ¹ / ₄ SW ¹ / ₄	74.04	11.586129%
7A	Beg. at the SE corner of the SW ¹ / ₄ SE ¹ / ₄ ; thence West 40 rods; thence North 40 rods, thence West 40 rods; thence North 80 rods; thence Southeast to POB	20	3.129695%
7B	A 4.84-acre metes & bounds tract in the NW ¹ / ₄ SE ¹ / ₄ and N ¹ / ₂ SW ¹ / ₄ SE ¹ / ₄	4.84	0.757386%
7C	A 0.62-acre metes & bounds tract in the S ¹ / ₂ SW ¹ / ₄ SE ¹ / ₄	0.62	0.097021%
8	S ¹ / ₂ S ¹ / ₂ NE ¹ / ₄ ; and all of the "valley lands" in the SE ¹ / ₄ NW ¹ / ₄ <u>less</u> Tract 5 above, NE ¹ / ₄ SW ¹ / ₄ , NW ¹ / ₄ SE ¹ / ₄ and northern 4 rods of the SW ¹ / ₄ SE ¹ / ₄	85.23	13.337193%
9	A 9.46-acre metes & bounds tract in the SW ¹ / ₄ SE ¹ / ₄	9.46	1.480345%

10	A 6.31-acre metes & bounds tract in the E½SE¼	6.31	0.987419%
11	E½SE¼ <u>less</u> Tract 10 above	<u>73.69</u>	<u>11.53159%</u>
TOTALS =		639.04	100%

The oil and gas in all of the Tracts except Tract 3 are owned in fee (privately). The oil and gas in Tract 3 is Tribally owned.

4. In Tracts 1 and 9-11, 50% of the oil and gas is under lease to EPE and the remaining 50% is owned by QEP Energy Company ("QEP") and unleased, but subject to a joint operating agreement ("JOA"). The oil and gas in Tracts 2, 4, 5, 7B, 7C and 8 are all under lease to EPE. The oil and gas in Tract 3 is subject to a Tribal Exploration and Development Agreement in favor of Bill Barrett Corporation ("BBC") and Crescent Point Energy U.S. Corp. ("Crescent Point") pursuant to which a lease shall be issued. In Tract 6, 89.480552% is under lease to EPE, 2.083333% is under a lease from Hunt equally to KKREP and Furlong, and 0.976562% is under lease to T.C. Craighead & Company ("Craighead"). Furthermore, EPE (1.352783%), Broughton Petroleum, Inc. ("Broughton") (0.976562%), Slover Minerals, L.P. ("Slover") (0.976563%), QEP (2.083333%), LINN Operating, Inc. ("LINN") (0.546875%) and Croff Oil Company, Inc. ("Croff") (0.546875%) all own unleased interests in Tract 6, but all of these interests are subject to JOA's. Broughton's unleased interest is subject to a perpetual non-participating 25% royalty in favor of the heirs or devisees of Mark A. Chapman. Argo and

Mr. Sanderson each own an unleased 0.488281% interest in Tract 6, neither of which is subject to a JOA. Finally, in Tract 7A, 90% of the oil and gas is under lease to EPE. Furthermore, EPE (8.657813%) and LINN (1.342107%) own unleased interests in Tract 7A, but both interests are subject to JOA's. Each fee lease, with the exception of the Hunt/KKREP/Furlong Lease, grants to the respective lessee the unilateral right to pool the lease and the lessor's interest thereunder.

5. EPE, BBC, Crescent Point, Croff, Broughton, Craighead, Slover, QEP, LINN and KKREP all have executed various JOA's covering the Drilling Unit, pursuant to which EPE is named as operator and pursuant to which the parties voluntarily pooled their working interests by contract. However, KKREP's interest cannot, under the terms of its Lease with Hunt, be so voluntarily pooled without Hunt's consent or absent the pooling of Furlong as its co-lessee. As to those unleased parties who executed a JOA, the respective JOA's provide for the payment of the following royalties attributable to their interests to them:

<u>Parties</u>	<u>Royalty</u>
EPE and QEP	1/5
Slover, LINN, and Croff	1/6

The BBC JOA provides for a 100%/300%, while all of the other JOA's provide for a 150%/300% non-consent penalty. All other terms of the JOA's are materially consistent.

As a consequence, 99.645477% of the working interest in the Drilling Unit is voluntarily pooled by contract. These parties made participation elections in the drilling of the Neihart 2-2C5 Well upon the Drilling Unit, the consequences of which are governed by the terms of the respective JOA.

6. The interests of Argo and Mr. Sanderson remain unleased and have not otherwise been pooled. Furlong has not executed a JOA, and neither Furlong nor KKREP has provided written authorization from Hunt to allow pooling of Hunt's oil and gas interest or the Lease covering that interest. As a consequence, Hunt, KKREP and Furlong's interests have not been pooled either.

7. Commencing in September 2014, EPE conducted good faith negotiations for the leasing or participation of Argo and Mr. Sanderson's interests. Both parties rejected leasing, instead indicating they would rather participate as working interest owners. Argo signed an authority for expenditure ("AFE"), but refused to execute the JOA provided by EPE and upon which EPE stated the AFE was conditioned. Mr. Sanderson refused to execute an AFE or a JOA. Both parties also failed to provide any counter-proposals for JOA terms and conditions, even after express written request by EPE. Consequently, mutually acceptable participation terms could not be reached. Neither party has tendered their proportionate share of the AFE'd costs for the Neihart 2-2C5 Well.

8. Commencing in September 2012, EPE offered in good faith to lease Hunt's interest but no response was received. EPE renewed good faith efforts to lease Hunt's interest in September 2014. On November 10, 2014, EPE provided Hunt with a written conditional offer to lease or participate as an unleased working interest owner as evidenced by Rebuttal Exhibit "6" admitted into evidence.

9. As evidenced by Exhibit "K" admitted into evidence, Hunt instead chose to lease its interest to KKREP and Furlong on November 26, 2014, which Lease was executed by Furlong on December 17, 2014 and by KKREP on December 26, 2014, with a stated effective date of August 27, 2014.

10. As evidenced by Rebuttal Exhibit "7" admitted into evidence, Furlong and KKREP advised EPE of the grant of the Hunt Lease to them by e-mail dated December 6, 2014, and revised and executed the November 10, 2014 Conditioned Election to Lease or Participate made to Hunt, reflecting their election to participate as leased working interest owners and executing the AFE's but crossing out the condition that the JOA prepared by EPE be signed and instead indicating they would refuse to sign the proposed JOA.

11. As evidenced by Rebuttal Exhibit "8" and Exhibit "M" admitted into evidence, EPE revised and resent the Conditioned Election to Participate to Furlong and KKREP on December 16, 2014. As evidenced by Exhibit "L" admitted into evidence, KKREP signed both the JOA and AFE. As evidenced by Exhibit "N" admitted into

evidence, Furlong signed the AFE but crossed out the condition that the JOA prepared by EPE be signed. The AFE contained the following paragraph:

This authorization for expenditure (AFE) constitutes a contract between the non-operator signing the AFE and the operator whereby the non-operator hereby promises and agrees to pay operator, within thirty (30) days after billing, its proportionate share of all reasonable expenditures on the described operations until such time as an operating agreement is executed.

12. Thereafter, EPE and Furlong negotiated on terms of a JOA that would be mutually acceptable but no agreement was reached. As a consequence, no agreement for the voluntary pooling of Furlong, KKREP and Hunt's interest could be reached.

13. Furlong was not aware that the well had been drilled and completed until after the filing of the Request for Agency Action ("RAA") in this Cause. When the Response to the RAA was filed, Furlong asked the Board to pool its interest and adopt terms governing future operations, including certain terms of EPE's proposed JOA, Furlong's requested changes, and other provisions suggested at the hearing.

14. Furlong tendered its AFE'd share of costs on April 2, 2015, after the filing of the Request for Agency Action in this Cause.

15. Under the particular facts of this case and for reasons discussed in part in the Minute Entry and the Reconsideration Order, the Board finds that Furlong consented to the drilling and operation of the Neihart 2-2C5 Well and agreed to bear its proportionate share of costs.

16. In accordance with the Applicable Orders and its Application for Permit to Drill approved by the Division of Oil, Gas and Mining, EPE spud the Neihart 2-2C5 Well at a location 799 feet FSL and 2,406 feet FEL in the SW¹/₄SE¹/₄ of subject Section 2 on August 7, 2014, and completed it as a producing oil well with first production achieved on October 10, 2014. The Neihart 2-2C5 Well has produced and continues to produce from intervals within the Subject Formations, and was deemed “economically feasible” to drill as that term is utilized in the Applicable Orders.

17. The Neihart 2-2C5 Well is the second producing well drilled on the Drilling Unit. However, the first well was plugged and abandoned over 20 years prior to the spud of the Neihart 2-2C5 Well. Corrected Exhibit “Y” admitted into evidence reflects a range of potential production outcomes, with a low of 25.8 MBO, a high of 481.2 MBO and a median of 150 MBO. The wide variability, primarily due to fracturing, reflects the uncertainty of drilling a successful economic well at the time the Neihart 2-2C5 Well was spud. In addition, the complex nature of the Lower Green River-Wasatch formation present inherent risks.

18. Given the findings outlined in Findings of Fact Nos. 5, 7 and 17 above, and based on the other evidence presented, the risk assumed by EPE and the other participating working interest owners in the drilling of the Neihart 2-2C5 Well justifies a 300% risk compensation award (non-consent penalty).

19. The A.A.P.L. model-form-based JOA proposed by EPE is similar to other JOAs previously adopted by this Board in prior compulsory pooling matters. The Board also notes that JOA terms materially the same as those proposed by EPE in this matter have been agreed upon and are presently in effect between other consenting owners within the subject drilling unit. Although JOAs substantially similar to this form of operating agreement were previously deemed just and reasonable in prior matters, the Board analyzed the JOA proposed by EPE anew for purposes of making its determination in the present case. The Board's analysis included consideration of testimony given by the parties' witnesses regarding Furlong's proposed edits and amendments to certain provisions of the JOA as proposed by EPE. While legitimate disagreement can exist about the provisions at issue, and while the parties' differing proposed terms might be reasonable under certain circumstances, on balance, the Board finds that under the facts of this case, the terms of the EPE proposal are just and reasonable and adopts them for purposes of this matter. The terms and conditions of the JOA admitted into evidence at the hearing as EPE's Exhibit "V," and attached hereto and by this reference incorporated herein, are justified, fair and reasonable, and are appropriate to govern the relationship between EPE, as Operator of the Drilling Unit, and Argo, Mr. Sanderson and Furlong, as Non-Operators, as to the Neihart 2-2C5 Well and the Drilling Unit to the extent not inconsistent with this Order.

20. As reflected on Corrected Exhibit "W" admitted into evidence, the average weighted fee royalty interest for the Drilling Unit, which accounts for the Chapman perpetual non-participating royalty and the royalties provided in the Hunt/Furlong/KKREP Lease and the JOA's as outlined in Findings of Fact No. 5 above, is 17.353250%.

21. An interest rate charge of prime rate in effect at JP Morgan Chase Bank plus 1% is justified, fair and reasonable.

22. Estimated plugging and abandonment costs of \$75,000, based on 100% working interest ownership, are justified, fair and reasonable.

23. As of the hearing date, the actual cost of drilling the Neihart 2-2C5 Well was \$5,208,563, based on 100% working interest, as detailed on Exhibit "X" admitted into evidence. Said costs are deemed justified, fair and reasonable.

24. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested, and properly addressed, to Argo, Mr. Sanderson, Hunt, KKREP and Furlong, and copies of the return receipts, evidencing receipt by all of said parties, were duly filed with the Board. In addition, a copy of the Request was mailed, postage pre-paid, to all other production interest owners within the Drilling Unit and to the Bureau of Indian Affairs, Uintah and Ouray Agency (the "BIA") and the Vernal Field Office of the Bureau of Land Management as regulatory agencies having jurisdiction

over the oil and gas ownership in portions of Section 2. Said mailings were sent to the parties' last address disclosed by the relevant Duchesne County and Agency realty records.

25. Notice of the filing of the Request and of the hearing thereon was duly published in the Salt Lake Tribune and Deseret Morning News on April 5, 2015, and in the Uintah Basin Standard on April 7, 2015.

26. The Board initially took the matter under advisement. The vote of the Board members present in the hearing and participating in this Cause was unanimous (6-0) in favor of granting the Request except as modified by the Minute Entry, and was 5-1, with Chairman Gill casting the dissenting vote, on the Reconsideration Order.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matters covered by the Request and all interested parties therein, and has the power and authority to render the order herein set forth pursuant to Utah Code Ann. §40-6-6.5.

3. EPE has sustained its burden of proof, demonstrated good cause and satisfied all legal requirements for the granting of the Request except as modified by the Minute Entry.

4. Pursuant to the holding in *Cowling v. Board of Oil, Gas and Mining*, 830 P.2d 220, 226 (Utah 1991), the Applicable Orders established, upon their respective entry, the parties' correlative rights to production from any well located on the Drilling Unit.

5. Due to their failure to timely respond to the Request and to appear at the hearing after proper notice, Argo, Mr. Sanderson, Hunt and KKREP are declared in default pursuant to Utah Admin. Code Rules R641-104-150 and R641-108-400.

6. EPE exercised good faith in attempting to solicit the leasing of Argo and Mr. Sanderson's interests or their participation as unleased working interest owners.

7. Argo and Mr. Sanderson are deemed "non-consenting owners," as that term is defined in Utah Code Ann. §40-6-2(11), as relating to the Neihart 2-2C5 Well, and are properly deemed to have refused to agree to bear their respective proportionate share of the costs of the drilling and operation of the said Well as provided in Utah Admin. Code Rule R649-2-9(1).

8. EPE, as Operator on behalf of itself, BBC, Crescent Point, Croff, Broughton, Craighead, Slover, QEP, LINN, KKREP, and Furlong, is deemed a

“consenting owner,” as that term is defined in Utah Code Ann. §40-6-2(4), as relating to the Neihart 2-2C5 Well. .

9. The compulsory pooling of Argo’s, Mr. Sanderson’s, Hunt’s, KKREP’s and Furlong’s interests in the Drilling Unit retroactive to October 10, 2014, being the date of first production for the Neihart 2-2C5 Well, under the terms and conditions set forth in this Order is just and reasonable, and insures all parties will receive their fair and equitable share of production from the said Well.

10. Given the Tribal Lease covering Tract 3 of the Drilling Unit, a compulsory pooling order from the Board is required before a conforming communitization agreement will be approved by the BIA, whether expressly pursuant to Federal guidelines or as a matter of Agency practice.

ORDER

Based upon the Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Request in this Cause is granted except as modified by the Minute Entry.

2. The interests of all parties subject to the jurisdiction of the Board, specifically including Argo, Mr. Sanderson, Hunt, KKREP and Furlong, in the Drilling Unit are pooled retroactively to October 10, 2014 (being the date of first production of

the Neihart 2-2C5 Well).

3. Operations on any portion of the Drilling Unit shall be deemed for all purposes to be the conduct of operations upon each separately owned tract in the Drilling Unit by the several owners.

4. Production allocated or applicable to a separately owned tract included in the Drilling Unit shall, when produced, be deemed for all purposes to have been produced from that tract by a well drilled on it.

5. Each owner shall pay his/its allocated share of the costs incurred in drilling and operation of the Neihart 2-2C5 Well, including, but not limited to, the costs of drilling, completing, equipping, producing, gathering, transporting, processing, marketing, and storage facilities, reasonable charges for administration and supervision of operations, and other costs customarily incurred in the industry, all to be governed in accordance with the terms and conditions of the JOA's executed with EPE or, only in the case of Argo, Mr. Sanderson and Furlong, the JOA attached hereto to the extent not otherwise inconsistent with this Order.

6. Argo and Mr. Sanderson are non-consenting owners and EPE, as Operator of the Drilling Unit on behalf of itself, BBC, Crescent Point, Croff, Broughton, Craighead, Slover, QEP, LINN, KKREP, and Furlong, is a consenting owner as these

terms are utilized in Utah Code Ann. §40-6-6.5, with respect to the Neihart 2-2C5 Well. Such parties shall hereinafter be referred to by utilizing such terms with capitalization.

7. The interests of the Non-Consenting Owners shall be deemed relinquished to the Consenting Owner during the period of payout for the Neihart 2-2C5 Well as provided in Utah Code Ann. §40-6-6.5(8). The relinquishment does not constitute a defeasance of title to the interest in the mineral estate, but rather the relinquishment of the revenue stream attributable to the Non-Consenting Owners' allocated share during the period of payout after payment of the royalty provided herein.

8. Each Non-Consenting Owner shall be entitled to receive, subject to the royalty specified herein, the share of the production of the Neihart 2-2C5 Well applicable to such owner's interest in the respective Drilling Unit after the Consenting Owner has recovered the following from such Non-Consenting Owner's share of production: (1) 100% of the Non-Consenting Owner's share of the cost of surface equipment beyond the wellhead connections, including stock tanks, separators, treaters, pumping equipment, and piping; (2) 100% of the Non-Consenting Owner's share of the estimated costs of plugging and abandoning the Neihart 2-2C5 Well, which estimated costs are and shall be for each well \$75,000 (based on a 100% working interest); (3) 100% of the Non-Consenting Owner's share of the cost of operation of the Neihart 2-2C5 Well, commencing with first production and continuing until the Consenting Owner has

recovered all costs; and (4) a risk compensation award of 300% of the Non-Consenting Owner's share of the costs of staking the location, wellsite preparation, rights-of-way, rigging up, drilling, reworking, recompleting, deepening or plugging back, testing, and completing, and the cost of equipment in the Neihart 2-2C5 Well, to and including the wellhead connections, as such costs are delineated in Utah Code Ann. §40-6-6.5(4)(d). The Non-Consenting Owner's share of costs is that interest that would have been chargeable to the Non-Consenting Owner had such owner initially agreed to pay such owner's share of the costs of the Neihart 2-2C5 Well, from the commencement of operations. In addition, a reasonable interest rate of prime in effect at JP Morgan Chase plus 1% shall be imposed per Utah Code Ann. §40-6-6.5(4)(d)(iii).

9. Each Non-Consenting Owner shall receive a royalty equal to the average weighted fee landowner's royalty of 17.353250%. When calculating the division of interest for each Non-Consenting Owner, the average weighted fee landowner's royalty shall be proportionately reduced in the ratio that the Non-Consenting Owner's interest bears to (1) the total interest in the tract and (2) then further reduced in the ratio that the tract acres bear to the total acreage in the Drilling Unit. The proportionately reduced royalty shall be paid to each Non-Consenting Owner until such time as such Non-Consenting Owner's share of costs, the 300% risk compensation award, and applicable

interest charges have been fully recouped, as provided in Utah Code Ann. §40-6-6.5 and in this Order.

10. The Consenting Owner shall furnish each Non-Consenting Owner with monthly statements specifying:

- a. costs incurred;
- b. the quantity of oil or gas produced; and
- c. the amount of oil and gas proceeds realized from the sale of production during the preceding month,

as relating to the Neihart 2-2C5 Well.

11. Upon the payout of the Neihart 2-2C5 Well, the Non-Consenting Owners' relinquished interests in said Well shall automatically revert to them, and the Non-Consenting Owners shall from that time forward own the same interest in the Well and the production from it, and shall be liable for the further costs of operation, as if such owners had participated in the initial drilling and completion operations.

12. Payout occurs when the Consenting Owner has recouped from the Non-Consenting Owners the costs and expenses of drilling and completing the Neihart 2-2C5 Well, together with the risk compensation award (non-consent penalty) and interest, as provided for in Order No. 8 above.

13. In any circumstance when any Non-Consenting Owner has relinquished such owner's share of production to the Consenting Owner or at any time fails to take such owner's share of production in-kind, when such owner is entitled to do so, such

Non-Consenting Owner is entitled to an accounting of the oil and gas proceeds applicable to such owner's relinquished share of production; and payment of the oil and gas proceeds applicable to that share of production not taken in-kind, net of costs.

14. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. §63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.

15. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, all as required by the Administrative Procedures Act, Utah Code Ann. §63G-4-208 and Utah Administrative Code Rule R641-109.

16. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. §63G-4-208(e) - (g), the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code Ann. §§63G-4-401(3)(a) and 403. As an alternative to seeking immediate judicial review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the Board reconsider this Order, which

constitutes a final agency action of the Board. Utah Code Ann. §63G-4-302, entitled, “Agency Review - Reconsideration,” states:

(1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63G-4-301 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.

(b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.

(2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.

(3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.

(b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.

Id. The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a group of Board rules entitled, “Rehearing and Modification of Existing Orders,” states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of the month.

Id. See Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. §63G-4-302

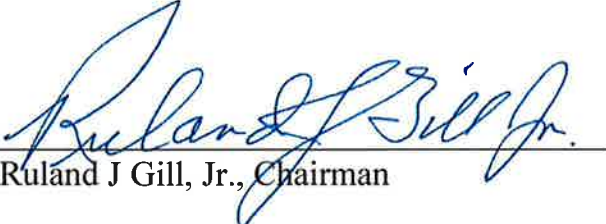
and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

17. The Board retains continuing jurisdiction over all the parties and over the subject matter of this cause, except to the extent said jurisdiction may be divested by the filing of a timely appeal to seek judicial review of this order by the Utah Supreme Court.

18. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this 15th day of July, 2015.

**STATE OF UTAH
BOARD OF OIL, GAS AND MINING**

By: 
Ruland J Gill, Jr., Chairman

CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of July, 2015, I caused a true and correct copy of the foregoing ORDER for Docket No. 2015-013, Cause No. 139-130, to be mailed by Email or via First Class Mail with postage prepaid, to the following:

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Attorney for J.P. Furlong Co.

Steven F. Alder, Esq.
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[Via Email]

Michael S. Johnson
Assistant Attorney General
1594 West North Temple #300
Salt Lake City, Utah 84116
[Via Email]

Attorney for Division of Oil, Gas and Mining

Attorney for Board of Oil, Gas and Mining

ROYALTY/OVERRIDNG ROYALTY OWNERS:

Burthell and Sylvia Mayhew
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West Jordan, UT 84081

Linda Hausknecht, Successor Trustee of the
Sheldon J. Lewis Living Trust
2300 N. 1167 W.
Layton, UT 84041
[Undeliverable]

Larry S. Lewis, Successor Trustee of the
Sheldon J. Lewis Living Trust
P.O. Box 218
Millville, UT 84326

Sherry L. Webb, Successor Trustee of the
Sheldon J. Lewis Living Trust
470 N. 100 W., #2006
Fairview, UT 84629

Vicki Lewis, Successor Trustee of the
Sheldon J. Lewis Living Trust
2300 N. 1167 W.
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[Undeliverable]

Terri Lewis McCurdy
481 West 2500 South
Vernal, UT 84078
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Sherry Lewis
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Parker, CO 80134
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Ann Hoffman
517 North 20th Avenue
Yakima, WA 98902

Randy Anderson
3153 7th Place N.E., Apt. 241
Salem, OR 97303
[Undeliverable]

Melvin Nord Atwood
P.O. Box 32
Mack, CO 81525
[Address updated 4/30/2015]

Christy Val Atwood
Apparent Heir of Melvin and Vera Atwood
505 N. 500 E.
American Fork, UT 84003
[Address updated 6/23//2015]

Theresa Scoggins, Apparent
Heir of Vera Atwood
1775 Sunset Avenue
West Linn, OR 97068

William D. Lewis
2292 East Canyon Road
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[Undeliverable]

Jackie Lewis Penner
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Shedd, OR 97377
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Hollis Fred Atwood
711 Amethyst Drive
Fruita, CO 81521

Cheryl K. Learfield, Apparent
Heir of Vera Atwood
23899 South Rondevic Drive
Canby, OR 97013

Calvin Gardner,
Apparent Heir of Vera Atwood
566 Rio Hondo Rd
Grand Junction, CO 81507-1061
[Address updated 4/24/15]

Erma Merkley, as Trustee
of the Erma Merkley Property Trust
P.O. Box 484
Duchesne, UT 84021

Daniel L. Gardner, Apparent
Heir of Vera Atwood
19672 Sun Circle
West Linn, OR 97068

Michael Robert Page
114 West Creek
Fredericksburg, TX 78624

Maxine Rowley, Personal Representative of
the Estate of Illa H. Sanford
9801 South Lampton Circle
South Jordan, UT 84095

Joan Thompson
Trustee of the E. Arthur Higgins
Living Family Trust dtd 11/18/99
3446 West 5700 South
Roy, UT 84067
[Undeliverable]

Lance James Page
11408 NE 113 Ter
Liberty, MO 64068
[Address added 3/20/2015]

Eric Thomas Page
P.O. Box 1652
Topeka, KS 66601

Black Stone Minerals Company, LP
1001 Fannin, Suite 2020
Houston, TX 77002-6709

Milam Sons' Minerals, LLC
John B. Milam, Manager
P.O. Box 26
Chelsea, OK 74016-0026

Paul L. McCulliss
P.O. Box 3248
Littleton, CO 80161-3248

Margaret A. Slemaker, Trustee of the
Richard W. Slemaker, Jr. and Margaret A.
Slemaker Revocable Trust d. 10/10/03
P.O. Box 163
Broken Arrow, OK 74013-0163

Harry L. Wirick, Jr., as Trustee of the
Margaret S. Wirick Trust Under Trust
Agreement d. 8/26/97
907 South Detroit, Suite 722
Tulsa, OK 74120

Mary Ellen Slemaker Benien
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[Undeliverable]

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Denver, CO 80201

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1104 West 1700 South
Vernal, UT 84078

Leo and LaReta Brady
HC 63 Box 37
Duchesne, UT 84021
[Undeliverable]

Covey Minerals, Inc.
Attn: Gary Nelson
2733 Parleys Way, Suite 304
Salt Lake City, UT 84109

James Orval Thomas
5241 South Carpenter Cove
Salt Lake City, UT 84118

Daniel and Sandra R. Sam
14730 Candie Lane
Plymouth IN 46563-8720
[Address updated 4/13/2015]

Frances Sam, Heir to Joseph Sam Estate
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Oxford, MS 38655

Jacqueline Rae Dunigan,
Apparent Heir of Harriett Sam
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Alta Loma, CA 91701

Alta Ann Johnsen
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Ogden, UT 84401
[Undeliverable]

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Riverdale, UT 84405

Linda Gines
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Hanna, UT 84031

Lana Kemp Smith
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Sandy, UT 84092

Patricia M. Mothersead
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Culpepper, VA 22701
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Michael Jessup Thomas
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Salt Lake City, UT 84109-1228

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Apparent Heir of Harriett Sam
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Visalia, CA 93292

Nancy Lou Jones,
Apparent Heir of Harriet Sam
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Eureka, CA 95501

Jessup Otto and Sally Johnsen
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Valleyford, WA 99036-8521

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Gordon T. Griffiths
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Centerville, UT 84014

Myrl Marie Chugg
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North Ogden, UT 84414

Charlotte M. McGee
5052 South Auckland Court
Aurora, CO 80015

VeTar Energy
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Port Angeles, WA 98362

Voda Energy Company, LLC
897 N. 2500 W.
Hurricane, UT 84737

Wayne C. and Norma W. Close LLC
201 West 1400 South
Orem, UT 84058

J. Smith Investments, LLC
3745 South Greenbriar Way
Salt Lake City, UT 84109

Jack D. Close, Sr. and Gay Lee Close
4153 Ridgecrest Drive
Las Vegas, NV 89121

Melvin D. Close Jr., as Trustee of the
Melvin D. Close, Jr. Trust
2124 Redbird Drive
Las Vegas, NV 89134

Kenneth Leland and Jeanne Thorn Wilkinson,
Trustees for the
Jeanne and Kenneth L. Wilkinson Trust
1040 East 900 South, #34
St. George, UT 84790

Patricia A. Close
2124 Redbird Drive
Las Vegas, NV 89134

Heirs and Devisees of Constance B. Gleave
410 North Center Street
Duchesne, UT 84021
[Undeliverable]

Jeff Gleave
205 South Mountain View Road
Monroe, UT 84754

Mace T. Gleave
PO BOX 414
Ephraim UT 84627-0414
[Address updated 4/6/2015]

Maury V. Gleave
755 West Hwy 118
Monroe, UT 84754-4335

Kamelle Gleave
385 East 300 North
Monroe, UT 84754

Karen T. Gleave Swindle
205 South Mountain View Road
Monroe, UT 84754

Dorothy Ivie
P.O. Box 746
Duchesne, UT 84021

Karen Babcock
P.O. Box 787
Duchesne, UT 84021

Weston LaMar Thomas
P.O. Box 891
Duchesne, UT 84021

Walter Duncan Oil, LLC
100 Park Avenue, Suite 1200
Oklahoma City, OK 73102

Club Oil and Gas, Ltd., LLC
(formerly Club Oil & Gas, Ltd.)
66 Inverness Lane East
Englewood, CO 80112

Raymond T. Duncan Oil Properties, Ltd.
1777 S. Harrison Street, Penthouse One
Denver, CO 80210

Michael N. Fairbanks
Mark S. Fairbanks
7490 South 530 West
Willard, UT 84340

Suzanne A. Williamson
(No valid address disclosed)

Sharla Rae Lemon
(No valid address disclosed)

Sherrie Lee Swinden
(No valid address disclosed)

Emily Jacobsen
Successor Trustee of the Fees Revocable
Trust dated April 2, 1968, as amended
4526 Misty Drive
Colorado Springs, CO 80918

Antelope ORRI, LLC
2441 High Timbers Drive, Suite 120
The Woodlands, TX 77380

Ute Tribe of Uintah and Ouray Indian
Reservation
Energy & Minerals Dept.
P.O. Box 70
Ft. Duchesne, UT 84026

Ute Distribution Corporation
P.O. Box 696
Roosevelt, UT 84066

Newfield Production Company
1001 17th Street, Suite 2000
Denver, CO 80202

**UNLEASED/NON-CONSENTING/NON-POOLED PARTIES TO BE FORCE
POOLED:**

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P.O. Box 1808
Corsicana, TX 75151

Dusty Sanderson
7802 Bennington
Amarillo, TX 79119

J.P. Furlong Co.
P.O. Box 2357
Bismarck, ND 58502

Hunt Oil Company
1900 North Akard Street
Dallas, TX 75201-2300

KKREP, LLC
Attn: Kruise B. Kemp, President
P.O. Box 80942
Billings, MT 89108

WORKING INTEREST OWNERS:

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Attn: David Watts
1099 18th Street, Suite 2300
Denver, CO 80202

Broughton Petroleum Inc.
P.O. Box 1389
Sealy, TX 77474

Crescent Point Energy U.S. Corp.
Attn: Ryan Waller
555 17th Street, Suite 1800
Denver, CO 80202

Croff Oil Company, Inc.
16 Waterway Court
The Woodlands, TX 77380-2641

Linn Operating, Inc.
1999 Broadway Street, Suite 3700
Denver, CO 80202

QEP Energy Company
1050 17th Street, Suite 500
Denver, CO 80265

Slover Minerals, L.P.
3614 Royal Road
Amarillo, TX 79109

T.C. Craighead & Company
P.O. Box 576
Ardmore, OK 73402-0576

SUPERVISORY GOVERNMENTAL AGENCIES:

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Fort Duchesne, UT 84026

United States Bureau of Land Management
Vernal Field Office
Attn: Jerry Kenczka
170 South 500 East
Vernal, UT 84078